

Message Text

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PAGE 01 ADDIS 03709 221438Z
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FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC PRIORITY 9503

C O N F I D E N T I A L ADDIS ABABA 3709

E.O. 1162: GDS
TAGS: EINV, EAID, ET
SUBJECT: AID, COMPENSATION AND APPROACH TO MENGISTU

REF: (A) ADDIS 3687, (B) ADDIS 3656

SUMMARY. AMBASSADOR AND EMBASSY OFFICER MET FOR AN HOUR AND A HALF AUGUST 22 WITH MINISTER OF INDUSTRY CONCERNING COMPLEX OF COMPENSATION AND AID ISSUES. BULK OF DISCUSSION ON THE MINISTER'S SIDE CONCERNED KALAMAZOO SPICE COMPANY. RECOMMEND THAT IN ANY MEETING WITH MENGISTU, AMBASSADOR RECOGNIZE THAT PMGSE APPARENTLY INTENDS TO PURSUE KALSEC MATTER IN US COURTS AND WE ARE THEREFORE NOT PURSUING COMPANY'S WASH PROPOSAL FURTHER. BELIEVE SPECIFIC REFERENCES TO KALAMAZOO SHOULD BE DELETED FROM ANY PRESIDENTIAL LETTER. END SUMMARY.

1. MINISTER OF INDUSTRY TOOK INFLEXIBLE POSITION THAT PMGSE INTENDED TO SUE KALSEC IN NEW YORK OR MICHIGAN COURTS FOR UNCOMPENSATED PRODUCT SHIPPED IN 1975 AND ACCRUED INTEREST WHICH HE SAID BROUGHT ETHIOPIAN COMPANY'S CLAIM TO APPROXIMATELY \$3 MILLION. MINISTER SAID THAT ONLY 51 PERCENT OF THE SHARES OF EACH STOCKHOLDER HAD BEEN NATIONALIZED AND THAT KALSEC STILL OWED 39-40
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ADDIS 03709 221438Z

PERCENT OF ITS FORMER ETHIOPIAN SUBSIDIARY. MINISTER SAID LETTERS TO THIS EFFECT HAD BEEN EXCHANGED WITH KALSEC IN 1975 AND THAT FORMER GENERAL MANAGER OF KALSEC ETHIOPIAN SUBSIDIARY CONTINUED TO SIT ON BOARD OF DIRECTORS OF ETHIOPIAN COMPANY FOR SEVERAL MONTHS AFTER NATIONALIZATION DECREE. MINISTER'S POSITION WAS THAT MAXIMUM KALSEC CLAIM WAS FOR \$600,000.

2. BELIEVE THERE IS NO FURTHER USE IN PURSUING KALSEC SETTLEMENT PROPOSAL WITH PMGSE AUTHORITIES. WOLLE CHEKOL, HEAD OF ECONOMIC DEPARTMENT OF MINISTRY OF FOREIGN AFFAIRS, MET WITH EMBASSY OFFICER AUGUST 21 AND INDICATED THERE WAS SOME POSSIBILITY OF SETTLEMENT OF EIHER STERLING DRUG OR AIRCRAFT CLAIMS. WOLLE CHEKOL ATTENDED MEETING WITH MINISTER OF INDUSTRY WHERE THESE TWO CATEGORIES OF CLAIMS WERE DISCUSSED IN PASSING. MINISTER OF INDUSTRY POINTED OUT THAT HIS MINISTRY IS NOT RESPONSIBLE FOR EITHER OF THEM. STERLING DRUG IS RESPONSIBILITY OF MINISTRY OF HEALTH, AND AIRCRAFT CLAIMS COME UNDER MINISTRY OF TRANSPORT AND COMMUNICATIONS. ETHIOPIAN AUTHORITIES ARE APPARENTLY DETERMINED TO BRING THE KALAMAZOO ISSUE TO THE COURTS IN THE UNITED STATES, AND THEY HAVE BEEN LED TO BELIEVE BY THE COUNSEL THEY HAVE RETAINED IN NEW YORK THAT THEY HAVE NOT ONLY A GOOD CASE BUT THE MERITS ON THEIR SIDE. BELIEVE THERE IS NOTHING FURTHER TO BE GAINED BY PURSUING THE KALAMAZOO CASE AT THIS END AND THAT THE COURT DECISION IN THE UNITED STATES, WHATEVER IT MAY BE, WILL PROVIDE NEW BASIS FOR FURTHER DISCUSSIONS OF THIS MATTER WITH ETHIOPIAN AUTHORITIES.

3. COMMENT: AMBASSADOR ASKED FOR CORRESPONDENCE SHOWING THAT KALAMAZOO RETAINED 39-40 PERCENT OF THE SHARES OF ITS FORMER MAJORITY-CONTROLLED SUBSIDIARY AND
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PAGE 03 ADDIS 03709 221438Z

THERE WAS SOME INDICATION THAT THIS WOULD BE PROVIDED. MINISTER OF INDUSTRY'S POINT OF VIEW CORRESPONDS WITH THAT OF PLANNING COMMISSIONER PARA 9 ADDIS ABABA 3608. PRESUMABLY WOLLE CHEKOL NOW HAS OFFICIAL LINE ON DEGREE OF NATIONALIZATION OF KALSEC SUBSIDIARY WHICH CONTRASTS WITH THE POSITION HE TOOK PREVIOUSLY AS REPORTED PARA 4 ADDIS ABABA 3537.
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